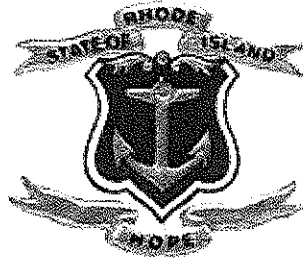


**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
DEPARTMENT OF ADMINISTRATION
OFFICE OF ENERGY RESOURCES**



DRAFT
2012 PLAN FOR THE ALLOCATION AND DISTRIBUTION OF
REGIONAL GREENHOUSE GAS INITIATIVE AUCTION
PROCEEDS
Auctions Held March 9, 2011 – December 7, 2011

March 2013

1.0 Authority

This Allocation Plan is authorized by Rhode Island General Laws (hereinafter, "RIGL") §§23-82-1 *et seq.* and 42-140-9 and the "*Rules and Regulations for the Allocation and Distribution of Regional Greenhouse Gas Initiative Proceeds*", effective August, 2011.

2.0 Definitions

For the purposes of this Allocation Plan, the terms defined in RIGL §§23-82-1 *et seq.* and the "*Rules and Regulations for the Allocation and Distribution of Regional Greenhouse Gas Initiative Proceeds*", effective August, 2011 shall be given the same meaning as provided in the statute and regulations.

3.0 Auction Proceeds included in this Allocation Plan

3.1 RGGI, Inc. conducted auctions on behalf of the State of Rhode Island on March 9, 2011, June 8, 2011, September 7, 2011 and December 7, 2011.

3.2 These auctions resulted in the following Auction Proceeds for the State of Rhode Island:

· March 9, 2011 -	\$1,306,120.41
· June 8, 2011 -	\$402,460.38
· September 7, 2011 -	\$220,748.22
· December 7, 2011 -	\$850,768.38
	<u>Total (\$2,780,097.39)</u>

4.0 Adoption of the 2012 Plan for the Allocation and Distribution of Regional Greenhouse Gas Initiative Auction Proceeds

4.1 The Rhode Island Regional Greenhouse Gas Initiative Act provides for the use of Auction Proceeds. RIGL §23-82-6 requires that the Auction Proceeds be used for the benefit of energy consumers through investment in the most cost-effective available projects that can reduce long-term consumer energy demands and costs. The annual auction proceeds proposal shall be designed to augment and coordinate with exiting energy efficiency and renewable energy programs, and shall not propose use of auction proceeds for projects already funded under other programs.

4.2. The Rhode Island Office of Energy Resources ("Office") is authorized to allocate the Auction Proceeds for the following purposes, in a proportion to be determined annually by the Office in consultation with the Rhode Island Energy Efficiency and Resources Management Council ("Council") and the Rhode Island Renewable Energy Coordinating Board ("Board"):

- (1) Promotion of cost-effective energy efficiency and conservation in order to achieve the purposes of section 39-1-27.7;

- (2) Promotion of cost-effective renewable non-carbon emitting energy technologies in Rhode Island as defined in RIGL §39-26-5 and to achieve the purposes of chapter 39-26 entitled “Renewable Energy Standard”.
- (3) Cost-effective direct rate relief for consumers;
- (4) Direct rate relief for low-income consumers;
- (5) Reasonable compensation to RGGI, Inc.; and
- (6) Reasonable costs of the Department and Office in administering this program.

4.3 To accomplish these purposes, the Office consulted with the Council and the Department on January 25, 2012 and May 31, 2012 to discuss the 2012 Plan for the Allocation and Distribution of Regional Greenhouse Gas Initiative Auction Proceeds (“Plan”). The “Implementation of the Regional Greenhouse Gas Initiative Act” was amended during the 2012 legislative session. The “Act” requires the Office consult with the Council and the Board. The Office has consulted with the Council on October 25, 2012 and the Board on November 27, 2012.

The Plan establishes how the Auction Proceeds for the auctions held on March 9, 2011; June 8, 2011; September 7, 2011, and December 7, 2011 shall be expended.

4.4 The Office concludes that this Plan is consistent with the applicable statutes and regulations. Public notice of the draft Plan was provided on xxxx, 2013. A copy of the Notice is attached hereto. A public comment hearing was held on xxx, 2013 at the Department of Administration, One Capitol Hill, Providence, Rhode Island. Thereafter, the public was allowed additional time to submit written comments until xxx, 2013.

4.5 The Office has responded to all substantive comments received on the Plan and are provided in the attached document entitled Response to Comments.

4.6 The Office, Department, Council and Board agree that the Plan was adopted in accordance with RIGL §23-82-6; “*Rules and Regulations for the Allocation and Distribution of Regional Greenhouse Gas Initiative Proceeds*” and Chapter 42-35, the Administrative Procedures Act.

5.0 2012 Allocation of Auction Proceeds

5.1 Compensation to RGGI, Inc.

5.1.1 RIGL §23-82-6(a)(5) authorizes the reasonable compensation of an entity to administer the auction on behalf of the State of Rhode Island. RGGI, Inc. is the entity that conducted the auctions on March 9, 2011; June 8, 2011; September 7, 2011, and December 7, 2011.

5.1.2 Wherefore, RGGI, Inc. was compensated \$31,186.00 from the auction proceeds.

5.2 Administrative expenses to Office and Department

5.2.1 RIGL §23-82-6(a)(6) authorizes the reasonable costs of the Department and Office in administering the RGGI program. The total reimbursement to both entities shall not in any year exceed Three Hundred Thousand Dollars (\$300,000) or five percent (5%) of the proceeds, whichever is less.

5.2.2 The Auction Proceeds for the fifteen (15) RGGI auctions occurring prior to the date of this Plan total \$15,866,953.55. Five percent of these proceeds equal \$793,347.68. The statute limits reimbursement of administrative costs to the lesser of five percent or \$300,000. Three Hundred Thousand Dollars is less than \$793,347.68. Therefore, DEM and OER are authorized to be reimbursed \$300,000 for their administrative costs in year 2011.

5.2.3 The maximum statutory reimbursement for 2011 is \$300,000. Therefore, DEM and OER shall each be reimbursed \$150,000 for their reasonable costs in 2011.

5.3 2009 Payment Correction

5.3.1 Subsequent to the 2009 Plan for the Allocation and Distribution of Regional Greenhouse Gas Initiative Proceeds, the State of Rhode Island was reimbursed \$346,504.60 for the administrative expenses of the Department and the Office. The 2009 Plan, however, authorized an administrative expense reimbursement of \$300,000 or five percent of the Auction Proceeds, whichever is less. Five percent of the total Auction Proceeds allocated in the 2009 Plan totaled \$346,504.60. Because \$300,000 is less than the five percent total for that year, the State of Rhode Island should only have been reimbursed \$300,000. Therefore, the State was reimbursed \$46,504.60 in excess of the maximum administrative expenses allowed in the 2009 Plan.

5.3.2 In this 2012 Plan, \$46,504.60 is being paid to the Utility to correct the payment error made in the distribution of the 2009 Plan. The Utility shall use these funds for the Least Cost Procurement Energy Efficiency Program at the Utility as set forth in the 2009 Plan. The \$46,504.60 shall **not** be used for the Innovative Financing and Partnership Program referred to in the 2009 Plan. The Utility shall use the \$46,504.60 for the purposes and goals set forth in the 2009 Plan for the Allocation and Distribution of Regional Greenhouse Gas Initiative Proceeds and these funds are subject to the same 2009 Plan limitations and requirements, including but not limited to, tracking and reporting.

5.4 Allocation of Auction Proceeds

5.4.1 The Auction Proceeds for the RGGI auctions conducted on March 9, 2011; June 8, 2011; September 7, 2011, and December 7, 2011. After deducting the compensation for RGGI, Inc. and the administrative expense reimbursement to the Office and Department, and \$46,504.60 error correction to the Utility, the balance remaining is \$2,402,406.79.

5.4.2 The Office finds that allocating the balance of the Auction Proceeds set forth in Paragraph 5.4.1 herein for the promotion of cost-effective energy efficiency and conservation; and the promotion of cost-effective renewable non-carbon emitting energy technologies in an integrated manner shall be best accomplished by disbursements as follows:

5.4.2.a. Sixty percent (60%) shall be allocated for energy efficiency projects at Rhode Island State and Municipal buildings and public water treatment facilities. The Office is a recipient of a Department of Energy - State Energy Program 2012 Competitive Award Grant. As part of the grant the Office will develop the Rhode Island Public Energy Partnership (RI PEP) to help state agencies and local governments attain high levels of energy savings and improved building operations. The RI PEP will be a collaboration of key state, municipal, utility and state university partners. The Partnership will create a comprehensive inventory of public facilities, both state and municipally owned or managed. The inventory will identify electric and natural gas efficiency opportunities and be used to prioritize and implement efficiency services offered by the Utility.

Funding for this program shall be tracked and managed in a shadow account at the Utility and shall only be used to support investment in electric efficiency program projects that are identified through the RI PEP. Priority will be given to projects for public water supply districts that participate in the RI PEP. The criteria and process for distribution of the funds that provide this support will be developed by the Office working in conjunction with the Council and the Utility prior to execution of the implementation plan.

Energy efficiency improvements at buildings and facilities owned and operated by the State and Municipalities will reduce energy consumption and utility costs. Consequently, these projects will benefit taxpayers in Rhode Island.

5.4.2.b. Five percent (5%) shall be allocated for energy efficiency projects at existing community buildings (a public building that houses a not for profit organization such as, but not limited to, boys and girls clubs, community healthcare centers and are used for public/community purposes).

An additional \$252,167.38 shall be allocated to this program from the 2011 Plan for the Allocation and Distribution of Regional Greenhouse Gas Initiative Auction Proceeds. This amount had been allocated for education targeted to low-income rate payers. It has been determined that this funding would be better utilized for this program.

Funding for this program shall be tracked and managed in a shadow account at the Utility and shall only be used to support investment in electric efficiency program projects. The criteria and process for distribution of the funds that provide this support will be developed by the Office working in conjunction with the Council and the Utility prior to execution of the implementation plan.

5.4.2.c. Thirty-Five percent (35%) shall be allocated for a pilot project to evaluate the costs and benefits of deploying renewable distributed generation in conjunction with the Utility System Reliability Plan (SRP). In the SRP, the Utility deploys non wire alternatives (NWAs) including Demand Response, Conservation and Energy Efficiency measures to provide load relief to help defer or avoid distribution and transmission upgrades. The pilot will explore whether targeted deployment of renewable distributed generation can: 1) provide reliable long term load relief; 2) stimulate additional uptake of efficiency and demand response measures; 3) allow distribution and transmission upgrades to be deferred to a point further in the future.

Homeowners, businesses or municipal, university, state or hospital (MUSH) facilities located in "Constrained Areas", as identified by the Utility, that have implemented energy efficiency and demand response measures in their homes, businesses or institutions shall be eligible to apply for funding. The criteria and process for distribution of the funds will be developed by the OER, working in conjunction with the Council and the Utility. Projects eligible for funding may vary depending on the characteristics of the Constrained Area and may include, but are not limited to, photovoltaic solar generation or thermal solar systems that displace current electric load (e.g. an electric hot water heater).

This pilot program demonstrates Rhode Island's effort to maximize the State's commitment to lowering carbon emissions while minimizing impacts on electric system reliability and costs to Rhode Island power consumers over the long term.

Any funds remaining at the conclusion of the Pilot Project shall be transferred to the Utility for the purposes identified in paragraph 5.4.2.a above.

The Office will administer the program in partnership with the Utility and the Council.

5.5 Tracking and Reporting

5.5.1 The Utility shall prepare a quarterly report which shall include a detailed description of the: (1) program; (2) project costs; and (3) program benefits including energy savings if applicable.

5.5.2 The Utility shall prepare a report which shall include a list with the names of the entities receiving funding. This information shall be public information. The report shall be submitted to the Office.